

## Message Text

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ORIGIN TRSE-00

INFO OCT-01 NEA-06 ISO-00 SP-02 AID-05 EB-07 NSC-05 RSC-01

CIEP-01 SS-15 STR-01 OMB-01 CEA-01 CIAE-00 COME-00

FRB-01 INR-05 NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01

DODE-00 PM-03 H-01 L-02 PA-01 PRS-01 USIA-06 AGR-05

IGA-01 FEA-01 INT-05 OES-03 /091 R

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NESA/ME:LPOECHSLI

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R 110116Z DEC 74

FM SECSTATE WASHDC

TO AMEMBASSY CAIRO

INFO AMEMBASSY JIDDA BY POUCH

AMEMBASSY KUWAIT BY POUCH

C O N F I D E N T I A L STATE 271187

E.O. 11652: GDS

TAGS:EAID, EGEN, PFOR, EG

SUBJECT: JOINT COMMISSION: ECON JWG ACTIVITIES

REF: (A) CAIRO 8993; (B) STATE 235580

1. WE FEEL IT IS IMPORTANT THAT WORK SET IN TRAIN BY  
PREVIOUS MEETINGS OF ECON JWG IS PURSUED ACTIVELY AND THAT  
PROGRESS TOWARD ACHIEVING MUTUAL ECONOMIC OBJECTIVES  
CONTINUES, AND IF POSSIBLE, ACCELERATES. PURPOSE OF THIS  
MESSAGE IS TO SHARE SOME VIEWS OF USG SIDE OF JWG ALLOWING  
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EMBASSY TO DRAW ON THEM AS IT BELIEVES APPROPRIATE IN TALKS  
WITH GOE OFFICIALS. WE ALSO SEEK EMBASSY VIEWS RE CERTAIN  
SUGGESTIONS.

2. WE ARE WELL AWARE PROBLEMS CUMBERSOME EGYPTIAN BUREAUCRACY POSE TO U.S. BUSINESSMEN AND HOPE THAT WE WILL BE ABLE IN TACTFUL WAYS TO PROMOTE OR ENCOURAGE STREAMLINING OF PROCEDURES. ASSIGNMENT OF REPS OF VARIOUS MINISTRIES TO AGENCY FOR ARAB AND INTERNATIONAL ECONOMIC COOPERATION WHERE THEY COULD OFFER ONE-STOP SERVICE AND ADVICE APPEARS TO US A USEFUL FIRST STEP AND WE WOULD LIKE EMBASSY TO SAY SO ON BEHALF OF U.S. SIDE OF JWG IF IT FEELS IT WORTHWHILE. WOULD ALSO WELCOME ANY IDEAS YOU HAVE ON STEPS WHICH WE MIGHT TAKE TO ALLEVIATE PROBLEM.

3. FOR OUR PART WE WILL WANT TO CONTINUE TO ASSIST EGYPT TO ESTABLISH APPROPRIATE LEGAL FRAMEWORK FOR FOREIGN INVESTMENT AND NEXT STEP SHOULD INVOLVE THREE EFFORTS:

(A) WE SHOULD SEEK TO OBTAIN GOE REACTION TO U.S. COMMENTS ON EGYPTIAN INVESTMENT LAW. WE BELIEVE THIS CAN BEST BE PURSUED BY THE MISSION AND WOULD APPRECIATE EMBASSY SEEKING GOE REACTION TO OUR WRITTEN COMMENTS ON INVESTMENT LAW.

(B) WE SHOULD CONSIDER WAYS OF ASSISTING GOE TO PUT TOGETHER AN INVESTMENT GUIDE WHICH MANY POTENTIAL AMERICAN INVESTORS HAVE INDICATED IS SORELY NEEDED. BRIEF DOCUMENTS OUTLINING KEY DEVELOPMENTS IN MAJOR SECTORS OF THE ECONOMY ARE ALSO NEEDED AND THESE SHOULD BE UPDATED AT LEAST QUARTERLY. DURING ECON WG MEETING IN CAIRO, AMIN INDICATED HE HAD PROMISED TO HAVE INVESTMENT GUIDE PREPARED BY END OF 1974, BUT SEEMED UNCERTAIN AS TO HOW TO PROCEED. GOE MAY WISH TO FOLLOW PRACTICE OF MANY OTHER COUNTRIES AND ARRANGE FOR OUTSIDE CONSULTING OR INVESTMENT FIRMS GO OVER EGYPTIAN DRAFT BEFORE IT IS DISTRIBUTED PUBLICLY. BETTER YET, CONSULTING FIRMS COULD BE EMPLOYED TO WORK WITH THE EGYPTIANS THROUGHOUT PREPARATION OF BROCHURE, TO ASSIST IN DEVELOPING USEFUL INFORMATION AND APPROPRIATE LAYOUT. REGRETTABLY, WASHINGTON AGENCIES DO NOT HAVE APPROPRIATE MANPOWER FOR THIS TASK WHICH SHOULD

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REQUIRE AT LEAST THREE MAN-MONTHS. AS WE INDICATED AT LAST ECON WG MEETING, COMMERCE WILL HELP IN DISTRIBUTION OF COMPLETED GUIDE BY PLACING COPIES IN ITS REGIONAL OFFICES IN UNITED STATES. FYI: WE ARE EXPLORING POSSIBILITY OF A.I.D. FUNDING. END FYI. IF GOE INTERESTED IN MOVING AHEAD QUICKLY TO HAVE PRIVATE FIRMS ASSIST IN PREPARATION OF INVESTMENT GUIDE, FOLLOWING LIST OF U.S. FIRMS COULD BE OF ASSISTANCE:

ARTHUR ANDERSEN AND COMPANY  
BUSINESS INTERNATIONAL CORPORATION  
BUSINESS AND INVESTMENT CONSULTANTS, INTERNATIONAL  
BOOZ, ALLEN AND HAMILTON

COMMERCE CONTACT WITH THESE COMPANIES INDICATES THEY MIGHT BE INTERESTED. USUAL COMMERCE WAIVER APPLIES.

(C) FINALLY, WE SHOULD TRY TO FIND SOME WAY TO MAKE SURE THAT THE ADMINISTRATIVE REGULATIONS DEALING WITH INVESTMENT CODE NOW UNDER CONSIDERATION BY THE GOE ARE ADEQUATE

AND IN PARTICULAR COMPENSATE FOR AS MANY OF THE SHORTCOMINGS IN THE BASIC LEGISLATION AS POLITICALLY POSSIBLE. WE ARE PRESENTLY PREPARING TRANSLATION OF DRAFT REGULATIONS GIVEN US AT ECON WG MEETING, AND WILL PROVIDE OUR COMMENTS AS SOON AS THIS COMPLETED. WE WANT TO GET OUR INPUT TO THE EGYPTIANS PRIOR TO THE TIME THE GOE FORMALLY ISSUES THESE REGULATIONS. WOULD APPRECIATE EMBASSY KEEPING US INFORMED ON STATUS THESE REGULATIONS WITHIN GOE AND PERHAPS EXPRESS TO GOE OUR WILLINGNESS TO OFFER HELPFUL COMMENTS PRIOR TO ISSUANCE, IF THIS CAN BE DONE WITHOUT CAUSING FRICTION OR RESENTMENT.

4. A FURTHER IMPORTANT REQUIREMENT IS THAT WE HAVE AVAILABLE A COMPREHENSIVE LISTING OF JOINT VENTURE PROJECTS WHICH (A) UNITED STATES AND FOREIGN INVESTORS HAVE DISCUSSED WITH GOE, AND (B) IN WHICH GOE IS INTERESTED BUT FOR WHICH NO ONE IN PRIVATE SECTOR HAS EXPRESSED MUCH INTEREST. WE ALSO NEED AS MUCH INFORMATION ON SUCH PROJECTS AS POSSIBLE, ESPECIALLY PROJECTED SIZE, FUNDING REQUIREMENTS, EXISTENCE OF FEASIBILITY STUDY, LOCATION, CONFIDENTIAL

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STATUS OF DELIBERATIONS WITH POTENTIAL INVESTORS AND/OR STATUS PROJECT WITHIN GOE, AND WHETHER OPPORTUNITIES CAN BE PUBLICIZED. SUCH A LISTING KEPT CONTINUALLY CURRENT WILL BE OF GREAT USE IN THE MANY DISCUSSIONS VARIOUS WASHINGTON AGENCIES HAVE WITH AMERICAN FIRMS INTERESTED IN EGYPT.

5. EMBASSY WILL RECALL AMIN AGREED AT LAST SESSION OF ECON WORKING GROUP MEETING IN CAIRO TO CONSOLIDATE LISTS OF PROJECTS PREPARED BY PLANNING MINISTRY AND ARAB AGENCY. WE ALSO NEED INDICATION FROM GOE AND ADVICE OF EMBASSY AS TO WHICH PROJECTS COULD BE DISCUSSED WITH POTENTIAL AMERICAN, ARAB OR WESTERN EUROPEAN INVESTORS AND ANY OTHER SPECIFIC CONDITIONS PERTAINING TO EACH PROJECT WE SHOULD BE AWARE OF PRIOR TO ANY DISCUSSIONS WITH POTENTIAL INVESTORS. BUSINESS WEEK AND OTHER U.S. PERIODICALS INTERESTED IN PUBLISHING CHECK LIST OF EGYPTIAN PROJECT REQUIREMENTS, AND WE NEED TO KNOW WHICH PROJECTS ON AMIN'S LIST ARE FAR ENOUGH ALONG IN DISCUSSIONS WITH PRIVATE FIRMS TO OBTAIN NEED FOR PUBLICITY. OPIC WOULD LIKE TO INCLUDE PRIORITY INVESTMENT CATEGORIES IN TOPIC'S PUBLICATION ON EGYPT.

6. ON MORE GENERAL PLANE WE ARE CONCERNED BY ABSENCE OF SYSTEMATIC MECHANISM TO MATCH INVESTOR INTEREST WITH ARAB OIL CAPITAL. WE HAVE RECEIVED A NUMBER OF REPORTS FROM POTENTIAL AMERICAN INVESTORS THAT THEY HAVE BEEN UNABLE TO

MOVE PROJECTS TO A MORE DEFINITIVE STAGE BECAUSE OF INABILITY TO GET SUFFICIENTLY FIRM COMMITMENTS FROM OTHER ARAB COUNTRIES ON UTILIZING OIL REVENUES FOR JOINT VENTURE FINANCING IN WHICH ARABS WOULD HAVE EQUITY POSITIONS. THIS IS DIFFICULT ISSUE FOR US BECAUSE WE DO NOT WANT U.S. GOVERNMENT TO PLAY ROLE OF INVESTMENT BANKER. WE APPRECIATE FACT THAT U.S. BANKS STILL GROPING FOR SYSTEMATIC MECHANISM THAT WILL PERMIT THEM TO PUT TOGETHER LONG-TERM PROJECTS USING ARAB OIL MONEY.

7. IN THE MEANTIME PERHAPS USG SHOULD CONSIDER DESIRABILITY OF USING ENTIRE FABRIC OF JOINT COMMISSIONS IN MIDDLE EAST TO FACILITATE TRIPARTITE INVESTMENT. WE NOTED, CONFIDENTIAL

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FOR EXAMPLE, ANNOUNCEMENT OF SAUDI-EGYPTIAN JOINT COMMISSION. IN EMBASSY'S VIEW COULD THIS BE USED AS VEHICLE FOR BRINGING SAUDI MONEY INTO TRIPARTITE VENTURES IN EGYPT, AND HOW? AS FOR SMALLER GULF STATES, PERHAPS SPECIAL MEETINGS COULD BE HELD WITHIN U.S.-EGYPTIAN JOINT COMMISSION FRAMEWORK IN WHICH WE AND EGYPT WOULD PARTICIPATE ALONG WITH QATAR, KUWAIT AND UAE TO DISCUSS SPECIFIC PROJECTS. (SIMILAR SUGGESTION CONTAINED CAIRO 7992). WOULD APPRECIATE EMBASSY'S VIEWS ON POTENTIAL FOR THIS APPROACH. WE WONDER IF IT WOULD ALSO BE USEFUL FOR EACH OF ARAB OIL PRODUCING COUNTRIES TO ESTABLISH AND/OR IDENTIFY SPECIFIC ENTITY AND INDIVIDUALS THAT CAN BE APPROACHED BY PRIVATE INVESTORS WHO HAVE POSSIBLE INVESTMENT OPPORTUNITIES IN EGYPT AND/OR OTHER HAVE-NOT ME COUNTRIES AND ARE LOOKING FOR PARTNERS. PARSKY AND AMBASSADOR STOLTZFUS DISCUSSIONS HAVE ALREADY LAID GROUNDWORK FOR THIS IN KUWAIT.

8. PERHAPS THERE IS ANOTHER STEP WHICH WOULD GREATLY HELP TO REALIZE INVESTMENT IN EGYPT AND AT SAME TIME EASE BURDEN ON KEY EGYPTIAN OFFICIALS WHO BESIEGED WITH REQUESTS FOR APPOINTMENTS AND INFORMATION BY AMERICAN AND OTHER BUSINESSMEN. MUCH OF PRESENT ACTIVITY SEEMS TO BE IN EXPOSING PRIVATE FIRMS TO ABC'S OF PRESENT EGYPTIAN POLICIES, LAWS AND INVESTMENT INTERESTS. IT OCCURS TO US THAT THIS FUNCTION IS UNDERTAKEN IN MANY OTHER COUNTRIES BY INTERNATIONAL ACCOUNTING FIRMS SUCH AS PRICE WATERHOUSE AND ARTHUR ANDERSEN. TYPICALLY THESE FIRMS MAINTAIN LARGE STAFFS IN HOST COUNTRIES WHO HAVE TOTAL FAMILIARITY WITH LOCAL LAWS, PERSONNEL, BUREAUCRATIC MECHANISMS, ETC., AND WHO ARE ABLE TO GUIDE INVESTMENT THROUGH THE LOCAL

GOVERNMENT TOWARD REALIZATION. WE UNAWARE OF WHETHER SUCH CAPABILITY PRESENTLY EXISTS IN EGYPT OR THE POSSIBILITIES FOR ESTABLISHMENT OF THIS TYPE OF SERVICE. WOULD EGYPTIAN LAW IN FACT PERMIT FOREIGNERS IN THIS AREA? ANY VIEWS EMBASSY MAY HAVE ON THIS AS DEVICE FOR FACILITATING INVESTMENT WOULD BE APPRECIATED. DEPENDING ON YOUR VIEWS WASHINGTON AGENCIES PLAN TO DISCUSS THIS POSSIBILITY WITH SEVERAL U.S. ACCOUNTING FIRMS WHO MAY HAVE INTEREST IN ESTABLISHING OPERATIONS IN EGYPT.  
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9. ON BASIS OF DISCUSSIONS GORDON HILL OF IRS HAD WITH EGYPTIAN OFFICIALS IN CAIRO IN EARLY NOVEMBER, WE BELIEVE HIGH PRIORITY SHOULD BE PLACED ON PROVIDING ASSISTANCE TO GOE IN AREA OF TAX ADMINISTRATION. GOE QUITE RECEPTIVE TO THIS VIEW. HILL NOW IN PROCESS PREPARING REPORT ON THIS QUESTION FOR REVIEW BY EMBASSY, AID AND OTHER U.S. AGENCIES REPRESENTED IN JWG.

10. NEGOTIATIONS OF DOUBLE TAXATION TREATY UNDERTAKEN IN EARLY NOVEMBER IN CAIRO HAVE APPARENTLY RESOLVED ALL OUTSTANDING POINTS AND TREATY SHOULD BE READY FOR INITIALING AT TIME OF POSSIBLE VISITS OF EITHER HEGAZY OR SADAT. RECOMMEND THAT EMBASSY CONFIRM WITH GOE OUR UNDERSTANDING THAT NO OUTSTANDING ISSUES REMAIN AND THAT THIS WOULD BE APPROPRIATE AREA FOR PUBLICITY DURING NEXT HIGH LEVEL VISIT BY EGYPTIAN OFFICIALS.

11. COMMERCE DEPARTMENT CONTACTING MEMBERS U.S. BUSINESS COMMUNITY TO PARTICIPATE IN JOINT U.S.-EGYPTIAN BUSINESS CHAMBER. WE ARE HOPING GOE HAS ORGANIZED CHAMBER FROM ITS SIDE SO THAT INAUGURAL SESSION OF THIS GROUP CAN BE HELD COINCIDENT WITH HEGAZY OR SADAT VISIT TO UNITED STATES.

12. ABOVE LISTING OF ISSUES REPRESENTS IN OUR JUDGMENT THE KEY AREAS FOR U.S. FOLLOW-THROUGH IN COMING WEEKS. WE RECOGNIZE, OF COURSE, POSSIBILITY THAT WE MAY HAVE OVERLOOKED OTHER ISSUES WHICH WOULD BE HIGH PRIORITY AND OF COURSE WOULD VERY MUCH WELCOME EMBASSY ADDITIONS TO THIS LIST. IN THIS CONNECTION IT WOULD BE USEFUL IF EMBASSY COULD FORWARD DRAFT MINUTES OF LAST ECON WG SESSION. (EMBASSY REPS WILL RECALL THEY AGREED AT LAST DAY'S SESSION OF ECON WG UNDERTAKE PROVIDE WASHINGTON WITH THESE NOTES.) INGERSOLL

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